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# **Tobin & Co.**

Village of Lake Ann

Benzie County, Michigan

Audit Report

For the Year Ended February 28, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Lake Ann	County Benzie
Audit Date 2/28/06	Opinion Date 8/14/06	Date Accountant Report Submitted to State: 8/29/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

**TOBIN & CO., P.C.**  
400 E. EIGHTH ST.

Certified Public Accountant (Firm Name) <b>TRAVERSE CITY, MI 49686-2668</b>			
Street Address 231-947-0151	City	State	ZIP
Accountant Signature <i>David J. Davis</i>		Date 8-28-06	

# Tobin & Co.

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INTRODUCTORY SECTION

# **Tobin & Co.**

## Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of the Village of Lake Ann, Benzie County, for the year ended February 28, 2006 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Village's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of the Village of Lake Ann taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

### General

Records were maintained in very good condition by your Clerk and Treasurer. Recorded revenues were deposited intact, journals and ledgers were properly posted, Board minutes were maintained in proper order, and supporting documents and follow-up procedures appeared to be in very good order. The efforts of these officials for 2005-2006 are commendable.

### Budgets and Procedures

The Village prepared and formally adopted budgets for its General and Special Revenue Funds. During the audit year, one activity of the General Fund and the Major Road and Metro Act Funds overexpended their budgeted expenditures without formal Board amendments as required by law. See Note 2, C in the Notes to the Financial Statements.

### Major Roads Fund

This fund, presented in Schedule 2, is used to account for monies earmarked for major roads improvements and maintenance. Revenue for the year consisted of State share revenues and interest. Expenditures were \$42,059. The fund balance at February 28, 2006 was \$29,662.

### Local Roads Fund

This fund, presented in Schedule 3, is used to account for monies earmarked for local roads improvements and maintenance. Revenues consisted of State shared revenues and interest. Expenditures were \$7,455. The fund balance at February 28, 2006 was \$10,681.

### Metro Act Fund

This fund, presented in Schedule 3, is used to account for monies earmarked for rights-of-way. Revenues consisted of State shared revenues. Expenditures were \$1,639, and the fund balance at February 28, 2006 was \$1,946.

### Property Tax Collections

2005 property taxes were substantially all collected prior to the end of the fiscal year. This function was handled in an excellent manner by the Treasurer.

# **Tobin & Co.**

## Comments and Recommendations

### Property Tax Administration Fees

As permitted by statute, an administration fee of 1% was levied on all 2005 property taxes. Fees collected may be used only to offset such property tax administration costs as assessing, collecting and the review and appeal process. Costs exceeded collections for the audit year.

### Insurance and Surety Bond Coverage

Records reflect that the Village is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general and auto liability, equipment, errors and omissions, crime and workmen's compensation. Coverage was reviewed during the audit year. The Clerk, Treasurer, Zoning Administrator and Secretary have surety bond coverage.

### Payroll Procedures

Payroll withholding procedures were properly performed during the audit year and employees received Forms W-2 for the calendar year 2005.

### Other Data

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We again commend the Clerk and Treasurer for the condition of the Village records. We also appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

FINANCIAL SECTION

# Tobin & Co.

## REPORT OF INDEPENDENT AUDITOR

To the Village Council  
Village of Lake Ann  
Benzie County  
Lake Ann, Michigan 49650

We have audited the accompanying financial statements of the governmental activities and each fund of the Village of Lake Ann as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each fund of the Village of Lake Ann at February 28, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the Village of Lake Ann. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.  
Certified Public Accountants  
August 14, 2006



# Tobin & Co.

## VILLAGE OF LAKE ANN MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Village Council of the Village of Lake Ann, Benzie County, we offer readers of the village's financial statements this narrative overview and analysis of the financial activities of the Village of Lake Ann for the fiscal year ended February 28, 2006.

### Financial Highlights

The assets of the Village of Lake Ann exceeded its liabilities at the close of the most recent fiscal year by \$130,770. Of this amount, \$54,772 may be used to meet the Village's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$97,061, a decrease of \$6,846 in comparison with the prior year. The total amount, \$97,061 is available for spending at the Village's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$54,772, or 214% of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Lake Ann's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

#### 1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the Village's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decrease in net assets may serve as a useful indicator of whether the Village's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Village include General Government, Public Safety, Parks and Recreation, Road Projects, and Village improvements. The Village of Lake Ann does not have any business-type activities.

#### 2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Lake Ann, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Lake Ann are categorized as governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village of Lake Ann maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds, which are considered to be major funds. All Village government activities are included in these four funds.

# **Tobin & Co.**

The Village adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other funds to demonstrate compliance with this budget.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial resources because the resources of those funds are not available to support the Village's own programs.

## **3. Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **General Fund Analysis and Highlights**

At the end of the current fiscal year, the Village had an excess of General Fund revenue over expenditures, consistent with prior years.

### **Condensed Financial Information**

Refer to pages 10 to 13 of the audited financial Statements.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The Village's investment in capital assets for its governmental activities as of February 28, 2006, amounts to \$33,709. This investment in capital assets includes: land, parks facilities, and roads. This is the first year that the total Village's investment in capital assets has been assessed and reported. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful lives.

#### **Cash Assets**

At the end of the current fiscal year, the Village had \$97,197 in cash and other spendable assets. The Village is limited by State law in how it can invest these funds and we have made no changes in our investment strategy in several years.

#### **Long-term Debt**

At the end of the current fiscal year, the Village had no debt outstanding.

#### **Pension Plan**

The Village makes contributions equal to approximately 12.4% of each eligible employee's wage to Municipal Retirement Systems, Inc. on behalf of each participating employee. This is an expensed item in the budget and totaled \$992 for the fiscal year.

#### **Currently Known Facts, Decisions, or Conditions**

There are currently no known facts, decision or conditions which would impact this financial report.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Village of Lake Ann's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mark Knauss, Mayor.

# Tobin & Co.

## Village of Lake Ann Statement of Net Assets February 28, 2006

### Primary Government Governmental Activities And Total

Assets	
Cash	\$ 97,197
Receivables	892
Capital Assets	
Land	2,000
Other Capital Assets, Net of Depreciation	<u>31,709</u>
Total Capital Assets	<u>33,709</u>
Total Assets	<u>131,798</u>
Liabilities	
Due to Other Units	136
Deferred Revenues	<u>892</u>
Total Liabilities	<u>1,028</u>
Net Assets	
Invested in Capital Assets	33,709
Restricted for:	
Major Roads	29,662
Local Roads	10,681
Metro Act	1,946
Unrestricted	<u>54,772</u>
Total Net Assets	<u>\$ 130,770</u>

See Accompanying Notes to Basic Financial Statements

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Village of Lake Ann  
Statement of Activities  
February 28, 2006

Functions/Programs	Program Revenues			Total
	Expenses	Charges For Services	Operating Grants and Contributions	
Governmental Activities:				
Legislative	\$ 6,926	\$ -	\$ -	\$ (6,926)
General Government	10,784	-	-	(10,784)
Public Safety	1,683	75	-	(1,608)
Public Works	25,542	-	38,873	13,331
Parks and Recreation	<u>2,532</u>	<u>-</u>	<u>-</u>	<u>(2,532)</u>
Total Governmental Activities	<u>\$ 47,467</u>	<u>\$ 75</u>	<u>\$ 38,873</u>	<u>(8,519)</u>
General Revenues:				
Property Taxes				10,958
State Shared Revenues				18,846
Unrestricted Investment Earnings				868
Miscellaneous				<u>240</u>
Total General Revenues				30,912
Change in Net Assets				22,393
Net Assets – Beginning				<u>108,377</u>
Net Assets – Ending				<u>\$ 130,770</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

Village of Lake Ann  
Balance Sheets  
Governmental Funds  
February 28, 2006

	<u>General</u>	<u>Major Roads</u>	<u>Local Roads</u>	<u>Metro Act</u>	<u>Total</u>
<b>Assets</b>					
Cash in Bank	\$ 54,889	\$ 29,676	\$ 10,686	\$ 1,946	\$ 97,197
Delinquent Taxes Receivable	<u>892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>892</u>
<b>Total Assets</b>	<u>\$ 55,781</u>	<u>\$ 29,676</u>	<u>\$ 10,686</u>	<u>\$ 1,946</u>	<u>\$ 98,089</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Due to Other Units	\$ 117	\$ 14	\$ 5	\$ -	\$ 136
Deferred Revenues	<u>892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>892</u>
<b>Total Liabilities</b>	<u>1,009</u>	<u>14</u>	<u>5</u>	<u>-</u>	<u>1,028</u>
<b>Fund Balances:</b>					
Special Revenue Funds	-	29,662	10,681	1,946	42,289
Unrestricted	<u>54,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,772</u>
<b>Total Fund Balances</b>	<u>54,772</u>	<u>29,662</u>	<u>10,681</u>	<u>1,946</u>	<u>97,061</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 55,781</u>	<u>\$ 29,676</u>	<u>\$ 10,686</u>	<u>\$ 1,946</u>	
Amounts reported for governmental activities on the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					<u>33,709</u>
Net assets of governmental activities.					<u>\$ 130,770</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Village of Lake Ann Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended February 28, 2006

	<u>General</u>	<u>Major Roads</u>	<u>Local Roads</u>	<u>Metro Act</u>	<u>Total</u>
Revenues					
Taxes	\$ 10,958	\$ -	\$ -	\$ -	\$ 10,958
Licenses and Permits	75	-	-	-	75
State Grants	18,846	26,815	8,522	1,691	55,874
Interest and Rents	492	285	91	-	868
Other	<u>2,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,085</u>
Total	<u>32,456</u>	<u>27,100</u>	<u>8,613</u>	<u>1,691</u>	<u>69,860</u>
Expenditures					
Legislative	6,926	-	-	-	6,926
General Government	5,123	-	-	-	5,123
Public Safety	1,683	-	-	-	1,683
Public Works	-	17,235	7,455	-	24,690
Parks and Recreation	2,402	-	-	-	2,402
Other	5,661	-	-	-	5,661
Capital Outlay	<u>3,758</u>	<u>24,824</u>	<u>-</u>	<u>1,639</u>	<u>30,221</u>
Total	<u>25,553</u>	<u>42,059</u>	<u>7,455</u>	<u>1,639</u>	<u>76,706</u>
Excess Revenues (Expenditures) and Net Change in Fund Balances	6,903	(14,959)	1,158	52	(6,846)
Fund Balance – Beginning of Year	<u>47,869</u>	<u>44,621</u>	<u>9,523</u>	<u>1,894</u>	
Fund Balance – End of Year	<u>\$ 54,772</u>	<u>\$ 29,662</u>	<u>\$ 10,681</u>	<u>\$ 1,946</u>	

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

29,239

Change in Net Assets of Governmental Activities.

\$ 22,393

See Accompanying Notes to Basic Financial Statements

# **Tobin & Co.**

Village of Lake Ann  
Notes to Financial Statements  
February 28, 2006

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Reporting Entity**

The Village of Lake Ann is a common law Village located in Benzie County. Population as of the 2000 census was 276, and the current taxable value is \$9,818,197.

The Village's basic financial statements include the accounts of all Village operations. The criteria for including organizations within the Village's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

### **B. Basis of Presentation**

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Village. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### **Fund Financial Statements:**

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Village. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

# **Tobin & Co.**

Village of Lake Ann  
Notes to Financial Statements  
February 28, 2006

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **C. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

### **D. Budgets**

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Village.

In the body of the financial statements and the required supplementary schedules, the Village's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

### **E. Capital Assets**

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	60 years
Roads	10 – 30 years
Infrastructure	15 – 40 years
Office Equipment and Computers	3 – 5 years



# Tobin & Co.

Village of Lake Ann  
Notes to Financial Statements  
February 28, 2006

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Village Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Village Treasurer to collect. It is the policy of the Village to record the real property taxes in the year of levy.

For the fiscal year the Village levied property taxes as follows:

	<u>SEV</u>	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating	\$ 16,177,500	\$ 9,818,197	1.0685

### G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at February 28, 2006.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended February 28, 2006, the following cost centers overexpended their budgets without formal Board amendment.

General Fund:		
Treasurer	\$	145
Major Roads Fund	\$	14,529
Metro Act Fund	\$	439

## NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

### A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Village, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

# Tobin & Co.

Village of Lake Ann  
Notes to Financial Statements  
February 28, 2006

## NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

### A. Legal Provisions for Deposits and Investments (Continued)

- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

### B. Types of Deposits and Investments

The Village had \$107,937 deposited with a local financial institution at February 28, 2006 with a carrying value of \$97,197. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Village had \$7,937 of uninsured deposits at February 28, 2006.

## NOTE 4 - CAPITAL/INTANGIBLE ASSETS

Capital assets of governmental activities consisted of the following at February 28,

	<u>2/28/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>2/28/06</u>
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Buildings	5,200	-	-	5,200
Roads and Infrastructure	-	30,221	-	30,221
	7,200	30,221	-	37,421
Less Accumulated Depreciation	(2,730)	(982)	-	(3,712)
	<u>\$ 4,470</u>	<u>\$ 29,239</u>	<u>\$ -</u>	<u>\$ 33,709</u>

## NOTE 5 - INVENTORIES

The Village of Lake Ann does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

## NOTE 6 - PENSION PLAN

The Village began a defined contribution money purchase pension plan for Michigan Village employees under contract with Municipal Retirement Systems, Inc. Listed below is a summary of the significant plan provisions:

### A. Eligibility Requirements

- 1. Attained age of 18.
- 2. No minimum service requirement.
- 3. All Village officials and employees except seasonal park employees.
- 4. Thirteen employees were eligible for the 2005-2006 plan year.

# **Tobin & Co.**

Village of Lake Ann  
Notes to Financial Statements  
February 28, 2006

## **NOTE 6 - PENSION PLAN (Continued)**

### **B. Contributions**

1. 12.4% of annual compensation funded 100% by the Village on an annual basis.
2. Compensation determined by the wages for the fiscal year coinciding with or ending within the Plan year.

### **C. Vesting**

1. Contributions are vested to the employee immediately upon early retirement, termination of service, death, disability, or normal retirement at 100%.

### **D. Plan Administration**

1. The plan is administered by the Village President and Clerk. During the year of audit, the total Village contributions paid for the plan year were \$992. Covered payroll was \$9,390 out of a total Village payroll of \$9,900 for the audit year.

## **NOTE 7 - PROPERTY TAX ADMINISTRATION FEES**

The Village levied the 1% administration fee permitted by statute on all 2005 property taxes. This fee may be used only to offset such property tax administration expenses as assessing, collecting, and the review and appeal process. For the audit year, costs exceeded collections.

## **NOTE 8- RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Village addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

## **NOTE 9- COMPENSATED ABSENCES**

The Village provides no compensated absences for its employees.

SUPPLEMENTAL DATA SECTION

# Tobin & Co.

Village of Lake Ann  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended February 28, 2006

Schedule I  
Page I

<u>Revenues</u>	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Current Taxes	\$ 10,000	\$ 10,000	\$ 10,958	\$ 958
Licenses and Permits:				
Permits	125	125	75	(50)
State Grants:				
State Shared Revenues	18,000	18,000	18,846	846
Interest and Rents:				
Interest	200	200	492	292
Other:				
Donations	2,000	2,000	1,845	(155)
Newsletter Advertising	-	-	240	240
Total Revenues	<u>30,325</u>	<u>30,325</u>	<u>32,456</u>	<u>2,131</u>
<u>Expenditures</u>				
Legislative:				
Village Council:				
Salaries and Wages	-	-	2,865	-
Dues	-	-	247	-
Printing and Publishing	-	-	352	-
Public Utilities	-	-	3,396	-
Other	-	-	66	-
Total	<u>8,180</u>	<u>8,180</u>	<u>6,926</u>	<u>1,254</u>
Total Legislative	<u>8,180</u>	<u>8,180</u>	<u>6,926</u>	<u>1,254</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Village of Lake Ann  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended February 28, 2006

Schedule 1  
Page 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
General Government:				
Village President:				
Salaries and Wages	-	-	660	-
Total	915	915	660	255
Elections:				
Salaries and Wages	-	-	482	-
Printing and Publishing	-	-	266	-
Total	850	850	748	102
Professional Services	2,000	2,000	-	2,000
Total	2,000	2,000	-	2,000
Clerk:				
Salaries and Wages	-	-	1,585	-
Total	1,785	1,785	1,585	200
Treasurer:				
Salaries and Wages	-	-	1,540	-
Supplies	-	-	474	-
Postage	-	-	116	-
Total	1,985	1,985	2,130	(145)
Total General Government	7,535	7,535	5,123	2,412
Public Safety:				
Planning and Zoning:				
Salaries and Wages	-	-	1,365	-
Operating Supplies	-	-	15	-
Printing and Publishing	-	-	303	-
Total Public Safety	2,075	2,075	1,683	392

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Village of Lake Ann  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended February 28, 2006

Schedule 1  
Page 4

	Budgetary Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<u>Expenditures (Continued)</u>				
Parks and Recreation:				
Recreation:				
Other	-	-	79	-
Total	150	150	79	71
Parks:				
Salaries and Wages	-	-	270	0
Operating Supplies	-	-	192	-
Maintenance and Repairs	-	-	1,644	-
Other	-	-	217	-
Total	3,225	3,225	2,323	902
Total Parks and Recreation	3,375	3,375	2,402	973
Other:				
Employee Benefits and Insurance	6,250	6,250	5,661	589
Total Other	6,250	6,250	5,661	589
Capital Outlay	2,000	2,000	3,758	(1,758)
Total Expenditures	29,415	29,415	25,553	3,862
Excess Revenues (Expenditures)	\$ 910	\$ 910	6,903	\$ 5,993
Fund Balance – Beginning of Year			47,869	
Fund Balance – End of Year			\$ 54,772	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Village of Lake Ann  
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual  
Major Roads Fund  
For the Year Ended February 28, 2006

Schedule 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
State Grants:				
State Shared Revenues	\$ 28,000	\$ 28,000	\$ 26,815	\$ (1,185)
Interest and Rents:				
Interest	<u>150</u>	<u>150</u>	<u>285</u>	<u>135</u>
Total	<u>28,150</u>	<u>28,150</u>	<u>27,100</u>	<u>(1,050)</u>
<u>Expenditures</u>				
Salaries and Wages	-	-	1,220	-
Fringe Benefits	-	-	33	-
Public Utilities	-	-	316	-
Maintenance and Repairs	-	-	15,515	-
Other	-	-	151	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>24,824</u>	<u>-</u>
Total	<u>27,530</u>	<u>27,530</u>	<u>42,059</u>	<u>(14,529)</u>
Excess Revenues (Expenditures)	<u>\$ 620</u>	<u>\$ 620</u>	(14,959)	<u>\$ (15,579)</u>
Fund Balance -- Beginning of Year			<u>44,621</u>	
Fund Balance -- End of Year			<u>\$ 29,662</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.



# Tobin & Co.

Village of Lake Ann  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Local Roads Fund  
For the Year Ended February 28, 2006

Schedule 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
State Grants:				
State Shared Revenues	\$ 7,800	\$ 7,800	\$ 8,522	\$ 722
Interest and Rents:				
Interest	35	35	91	56
Total Revenues	<u>7,835</u>	<u>7,835</u>	<u>8,613</u>	<u>778</u>
<u>Expenditures</u>				
Salaries and Wages	-	-	350	-
Fringe Benefits	-	-	5	-
Maintenance and Repairs	-	-	6,746	-
Other	-	-	354	-
Total Expenditures	<u>7,765</u>	<u>7,765</u>	<u>7,455</u>	<u>310</u>
Excess Revenues (Expenditures)	<u>\$ 70</u>	<u>\$ 70</u>	1,158	<u>\$ 1,088</u>
Fund Balance – Beginning of Year			<u>9,523</u>	
Fund Balance – End of Year			<u>\$ 10,681</u>	

The Notes to the Basic Financial statements are an integral part of this statement.

# Tobin & Co.

Village of Lake Ann  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Metro Act Fund  
For the Year Ended February 28, 2006

Schedule 4

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
State Grants:				
Metro Act	<u>1,200</u>	<u>1,200</u>	<u>1,691</u>	<u>491</u>
Total	<u>1,200</u>	<u>1,200</u>	<u>1,691</u>	<u>491</u>
<u>Expenditures</u>				
Roads and Sidewalks	<u>-</u>	<u>-</u>	<u>1,639</u>	<u>-</u>
Total	<u>1,200</u>	<u>1,200</u>	<u>1,639</u>	<u>(439)</u>
Excess Revenues (Expenditures)	<u>\$ -</u>	<u>\$ -</u>	<u>52</u>	<u>\$ 52</u>
Fund Balance – Beginning of Year			<u>1,894</u>	
Fund Balance – End of Year			<u>\$ 1,946</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.